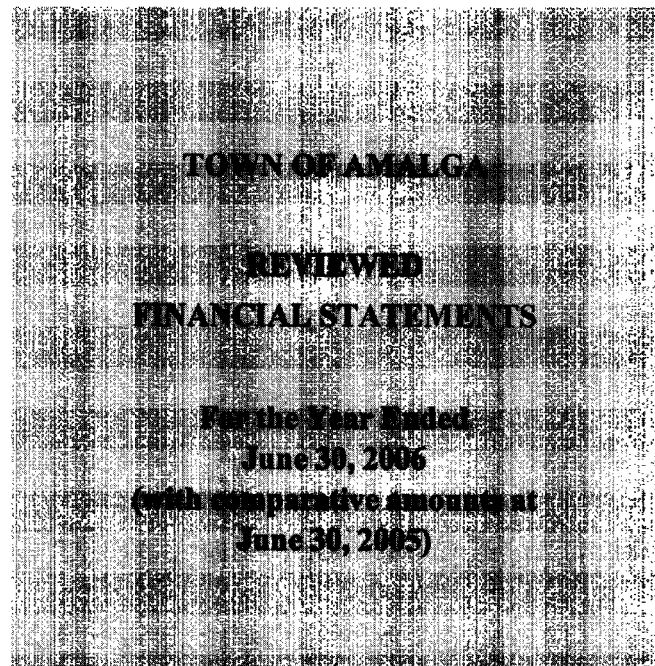




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INTRODUCTORY SECTION

AMALGA TOWN

Amalga, Utah

December 11, 2006

Amalga Town Council
Amalga, Utah

Council:

It is with great pleasure that the financial statements for the Town of Amalga for the year ended June 30, 2006, are presented.

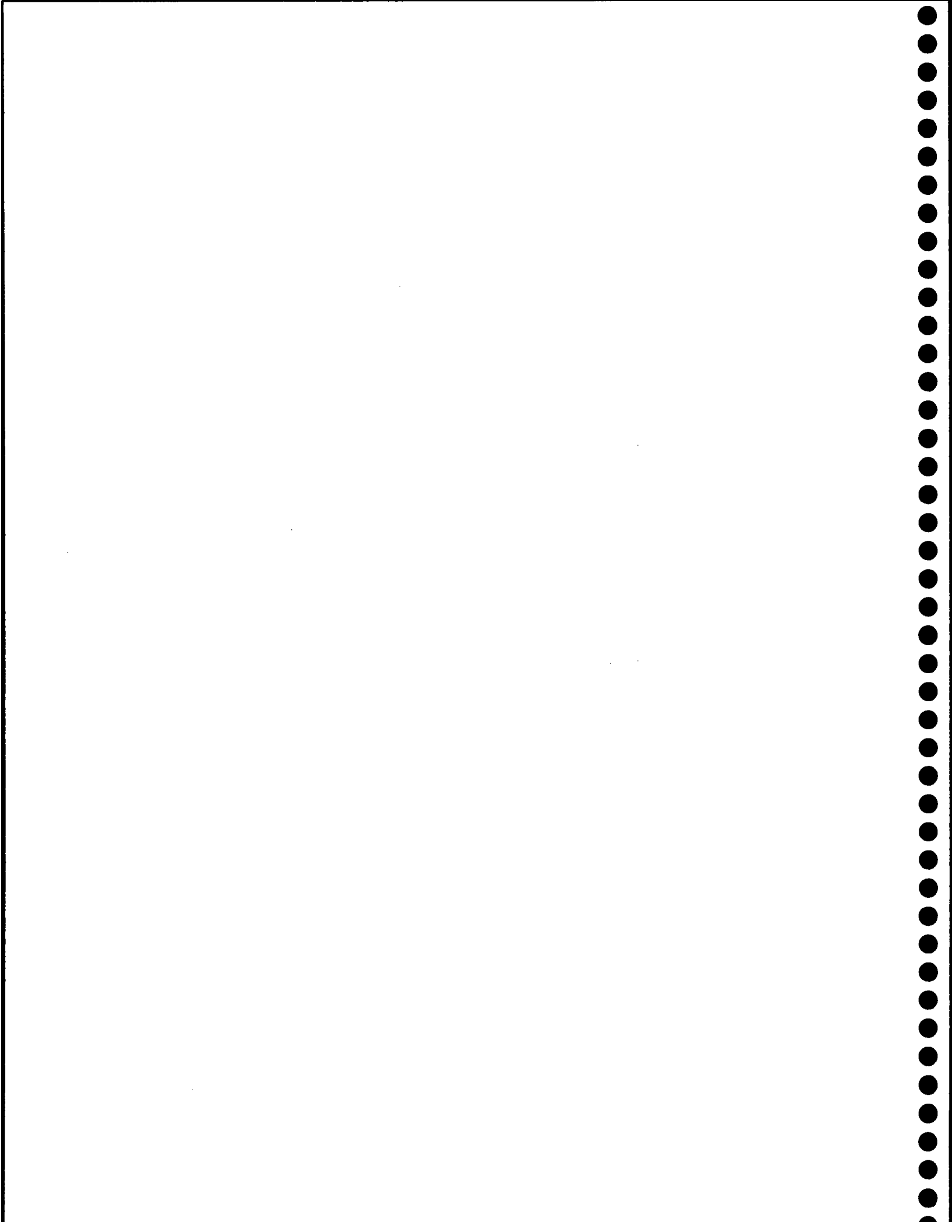
In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

This report consists of management's representations concerning the finances of the Town of Amalga. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor David Wood
Town of Amalga



FINANCIAL SECTION

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Peterson
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Jackson

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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council
Town of Amalga
Amalga, Utah

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Amalga as of and for the year ended June 30, 2006, which collectively comprise of the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Amalga.

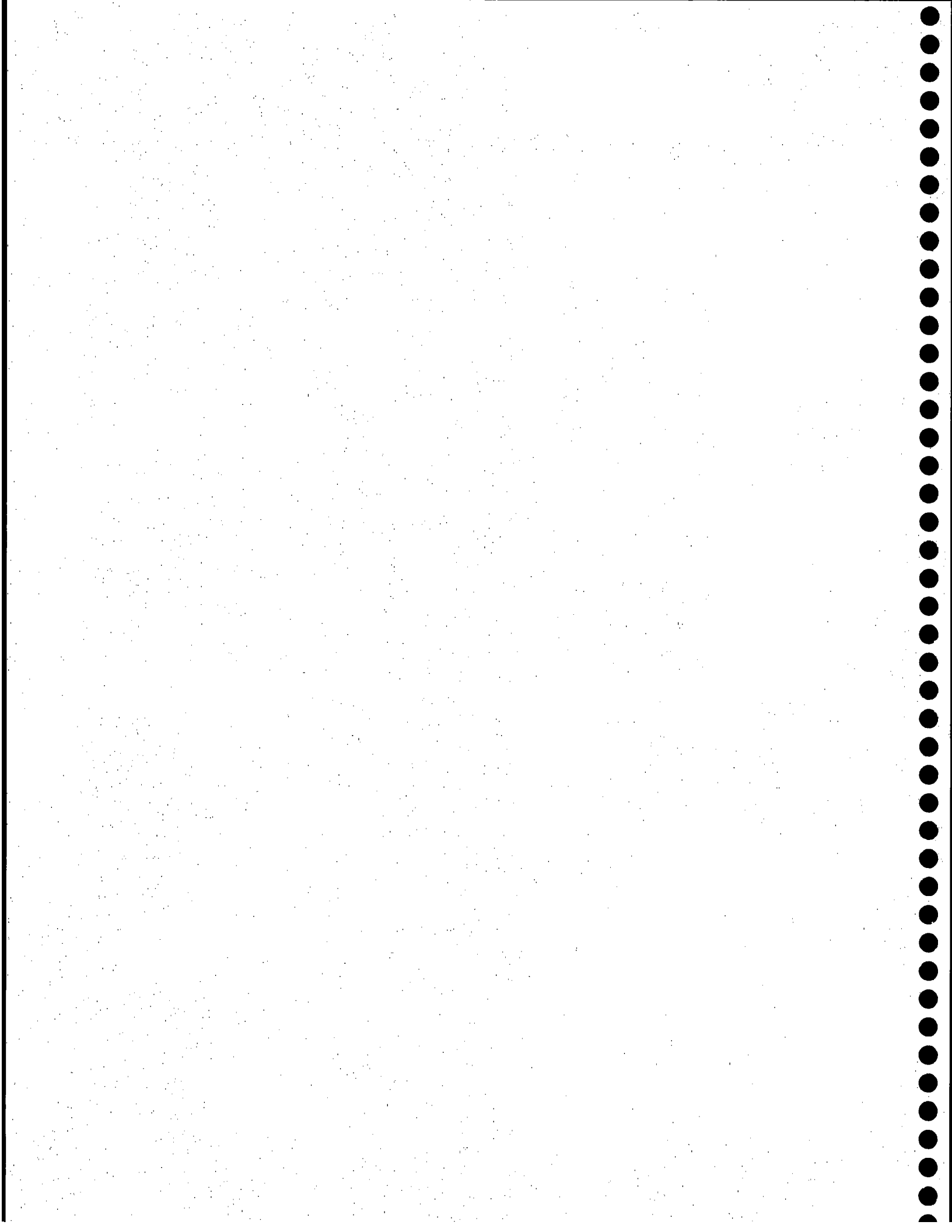
A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis on pages 8-12, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Also, the Schedule of Impact Fees is presented for additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Peterson Allred Jackson

December 11, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Amalga, we offer readers of the Town of Amalga's financial statements this narrative overview and analysis of the financial activities of the Town of Amalga for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The total net assets of \$1,501,218 is made up of \$876,981 in capital assets net of related debt and \$624,237 in other net assets.
- Total long-term liabilities of the Town were reduced by \$47,223.
- Total net assets of the water fund increased \$11,175.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Amalga's basic financial statements. The Town of Amalga's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Amalga is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Amalga that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 14 & 15 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Amalga also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund.

- Proprietary funds - The Town of Amalga maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Amalga uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Amalga, assets exceed liabilities by \$1,501,218.

By far the largest portion of the Town of Amalga's net assets (58%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005
Current and other assets	\$ 453,041	\$ 402,666	\$ 245,334	\$ 231,127
Capital assets	331,274	255,800	1,499,723	1,543,453
Total assets	<u>784,315</u>	<u>658,466</u>	<u>1,745,057</u>	<u>1,774,580</u>
Long-term debt outstanding	22,706	26,657	931,310	974,582
Other liabilities	70,856	20,728	3,282	708
Total liabilities	<u>93,562</u>	<u>47,385</u>	<u>934,592</u>	<u>975,290</u>
Net assets:				
Invested in capital assets, net of debt	308,568	229,143	568,413	568,871
Restricted	335,988	284,626	72,681	62,337
Unrestricted	46,197	97,312	169,371	168,082
Total net assets	<u>\$ 690,753</u>	<u>\$ 611,081</u>	<u>\$ 810,465</u>	<u>\$ 799,290</u>
CHANGES IN NET ASSETS	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005
Revenues:				
Program revenues:				
Charges for services	\$ 61,533	\$ 41,518	\$ 91,403	\$ 95,420
Operating grants & contributions	156	856	-	-
Capital grants & contributions	53,514	28,879	-	-
General revenues:				
Property taxes	14,792	14,589	-	-
Other taxes	39,734	41,984	-	-
Business licenses	943	883	-	-
Investment income	17,868	9,442	849	473
Total revenues	<u>188,540</u>	<u>138,151</u>	<u>92,252</u>	<u>95,893</u>
Expense:				
General government	33,512	15,542	-	-
Planning & zoning	408	344	-	-
Public safety	7,050	6,893	-	-
Highway/public improvements	16,107	14,060	-	-
Sanitation & health	30,228	29,944	-	-
Parks & recreation	20,230	17,968	-	-
Debt services	1,333	1,515	-	-
Water	-	-	81,077	73,946
Total expenses	<u>108,868</u>	<u>86,266</u>	<u>81,077</u>	<u>73,946</u>
Increase (decrease) in net assets	79,672	51,885	11,175	21,947
Net assets, beginning of year	611,081	559,196	799,290	777,343
Net assets, end of year	<u>\$ 690,753</u>	<u>\$ 611,081</u>	<u>\$ 810,465</u>	<u>\$ 799,290</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2006, the Town's governmental funds reported a fund balance of \$382,185. This represents an increase of \$247 (0%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 32% of total general fund revenues. The largest element is sales tax as it has been for the last several years. It represents 23% of total general fund revenues. This compares to 33% for the year ending June 20, 2005.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in highway and public improvements expense of \$76,630 for infrastructure improvements.

Significant changes in business-type activities include a \$47,223 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget had an expenditure total of \$122,350 and a final budget had an expenditure total of \$197,350. This represents an increase of \$75,000 (61%). Increases were made in the administration and streets and highways departments for infrastructure improvements and the publication of a history book.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The Town of Amalga's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$1,830,997 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total increase in the Town's investment in fixed assets for the current year was 2% (due to new purchases exceeding depreciation).

Major capital asset events during the current fiscal year included the following:

- \$74,583 for infrastructure improvements.
- \$18,270 for park improvements.
- \$1,945 for park equipment.

TOWN OF AMALGA'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 51,126	\$ 5,000
Buildings and improvements	183,981	—
Improvements other than buildings	—	1,945,248
Infrastructure	395,759	—
Machinery & equipment	62,588	—
Less: Accumulated depreciation	<u>(362,180)</u>	<u>(450,525)</u>
Total	<u>\$ 331,274</u>	<u>\$ 1,499,723</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2006, the Town had total bonded debt outstanding of \$954,016. Of this amount \$931,310 is debt which is secured solely by specific revenue sources (i.e., revenue bonds), and \$22,706 which is secured by the Town of Amalga.

TOWN OF AMALGA'S OUTSTANDING DEBT

	Governmental Activities	Business-type Activities
Revenue bonds	\$ —	\$ 931,310
General obligation bonds	<u>22,706</u>	<u>—</u>
Total outstanding debt	<u>\$ 22,706</u>	<u>\$ 931,310</u>

The Town's total debt decreased by \$47,223 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

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TOWN OF AMALGA
STATEMENT OF NET ASSETS
JUNE 30, 2006
(with comparative amounts for June 30, 2005)

ASSETS	Governmental Activities	Business-type Activities	2006 Total	2005 Total
Cash	\$ 87,540	\$ 139,547	\$ 227,087	\$ 173,236
Account receivable	7,562	29,949	37,511	89,440
Taxes receivable	19,182	-	19,182	18,616
Prepaid expenses	2,769	3,157	5,926	5,538
Restricted cash	328,933	72,681	401,614	341,036
Restricted taxes receivable	7,055	-	7,055	5,927
Capital assets				
Land	51,126	5,000	56,126	56,126
Buildings and improvements	183,981	-	183,981	165,710
Improvements other than buildings	-	1,945,248	1,945,248	1,945,248
Infrastructure	395,759	-	395,759	321,176
Machinery & equipment	62,588	-	62,588	60,643
Construction in progress	-	-	-	-
Less: Accumulated Depreciation	(362,180)	(450,525)	(812,705)	(749,650)
Total assets	<u>\$ 784,315</u>	<u>\$ 1,745,057</u>	<u>\$ 2,529,372</u>	<u>\$ 2,433,046</u>
LIABILITIES				
Accounts payable	55,565	2,633	58,198	5,262
Accrued expenses	291	649	940	1,174
Bonds payable:				
Due within one year	4,148	44,374	48,522	47,210
Due in more than one year	18,558	886,936	905,494	954,029
Deferred revenue	15,000	-	15,000	15,000
Total liabilities	<u>93,562</u>	<u>934,592</u>	<u>1,028,154</u>	<u>1,022,675</u>
NET ASSETS				
Invested in capital assets, net of related debt	308,568	568,413	876,981	798,014
Restricted for:				
Debt service	-	72,681	72,681	62,337
Road improvements	137,711	-	137,711	102,802
Capital projects	198,277	-	198,277	181,824
Unrestricted	46,197	169,371	215,568	265,394
Total Net Assets	<u>\$ 690,753</u>	<u>\$ 810,465</u>	<u>\$ 1,501,218</u>	<u>\$ 1,410,371</u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(with comparative amounts for June 30, 2005)

	Program Revenues					Business-type Activities	2006 Total	2005 Total
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities			
Governmental activities:								
General government	\$ 33,512	\$ 26,371	\$ -	\$ -	(7,141)	\$ -	(7,141)	\$ (9,486)
Planning & zoning	408	600	-	-	192	-	192	(184)
Public safety	7,050	3,282	156	-	(3,612)	-	(3,612)	(3,275)
Highways & public improvements	16,107	-	-	33,495	17,388	-	17,388	14,819
Sanitation & health	30,228	29,242	-	-	(986)	-	(986)	(444)
Parks & recreation	20,230	2,038	-	20,019	1,827	-	1,827	(14,928)
Debt service	1,333	-	-	-	(1,333)	-	(1,333)	(1,515)
Total governmental activities	108,868	61,533	156	53,514	6,335	-	6,335	(15,013)
Business-type activities:								
Water	81,077	91,403	-	-	-	10,326	10,326	21,474
Total business-type activities	81,077	91,403	-	-	-	10,326	10,326	21,474
General Revenues:								
Taxes:								
Property taxes levied for general purposes					14,792	-	14,792	14,589
General sales taxes					39,734	-	39,734	41,984
Other taxes					-	-	-	-
Investment income					17,868	849	18,717	9,915
Business licenses					943	-	943	883
Total general revenues					73,337	849	74,186	67,371
Change in net assets					79,672	11,175	90,847	73,832
Net assets - beginning					611,081	799,290	1,410,371	1,336,539
Net assets - ending					\$ 690,753	\$ 810,465	\$ 1,501,218	\$ 1,410,371

See accompanying notes and accountant's report.

TOWN OF AMALGA
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2006
(with comparative amounts for June 30, 2005)

	General Fund	Capital Projects Fund	2006 Total Governmental Funds	2005 Total Governmental Funds
ASSETS				
Cash	\$ 87,540	\$ -	\$ 87,540	\$ 76,836
Accounts receivable	7,562	-	7,562	19,819
Taxes receivable	19,182	-	19,182	18,616
Prepaid expenses	2,769	-	2,769	2,769
Restricted assets:				
Cash	130,656	198,277	328,933	278,699
Taxes receivable	7,055	-	7,055	5,927
Total assets	\$ 254,764	\$ 198,277	\$ 453,041	\$ 402,666
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 55,565	\$ -	\$ 55,565	\$ 5,247
Accrued expenses	291	-	291	481
Deferred revenue	15,000	-	15,000	15,000
Total liabilities	70,856	-	70,856	20,728
Fund Balance:				
Reserved for roads	137,711	-	137,711	102,802
Reserved for capital projects	-	198,277	198,277	181,824
Unreserved - undesignated	46,197	-	46,197	97,312
Total fund balance	183,908	198,277	382,185	381,938
Total liabilities and fund balance	\$ 254,764	\$ 198,277		
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Bonds payable are not due and payable in the current period, and therefore are not reported in the funds.			308,568	229,143
Net assets reconciled to the Statement of Activities			\$ 690,753	\$ 611,081

See accompanying notes and accountant's report.

TOWN OF AMALGA
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(with comparative amounts at June 30, 2005)

	General Fund	Capital Projects Fund	2006 Total Governmental Funds	2005 Total Governmental Funds
Revenues:				
Taxes & special assessments	\$ 54,526	\$ -	\$ 54,526	\$ 56,573
Licenses and permits	1,543	-	1,543	1,043
Intergovernmental	53,670	-	53,670	29,735
Charges for services	34,562	-	34,562	35,302
Fines & forfeitures	6,246	-	6,246	6,056
Miscellaneous	21,540	16,453	37,993	9,442
Total revenues	172,087	16,453	188,540	138,151
Expenditures:				
Current:				
General government	31,689	-	31,689	13,848
Planning & zoning	408	-	408	344
Public safety	7,050	-	7,050	6,893
Highways & public improvements	82,661	-	82,661	6,031
Sanitation & health	30,228	-	30,228	29,944
Parks & recreation	30,973	-	30,973	14,538
Debt service	5,284	-	5,284	5,284
Total expenditures	188,293	-	188,293	76,882
Excess of revenues over expenditures	(16,206)	16,453	247	61,269
Other financing sources:				
Transfers (to) from other funds	-	-	-	-
Excess of revenues over expenditures	(16,206)	16,453	247	61,269
Fund balances, beginning of year	200,114	181,824	381,938	320,669
Fund balances, end of year	\$ 183,908	\$ 198,277	\$ 382,185	\$ 381,938

See accompanying notes and accountant's report.

TOWN OF AMALGA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006
(with comparative amounts for June 30, 2005)

	2006	2005
Net change in fund balances - total governmental funds	\$ 247	\$ 61,269
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	75,474	(13,153)
Governmental funds report debt service payments of long-term debt as an expense instead of a reduction to a liability. This is the amount of principal payments during the year.	<u>3,951</u>	<u>3,769</u>
Change in net assets of governmental activities	<u>\$ 79,672</u>	<u>\$ 51,885</u>

See accompanying notes and accountant's report

**TOWN OF AMALGA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 14,000	\$ 14,000	\$ 14,792	\$ 792
Sales tax	36,000	36,000	39,734	3,734
Total taxes	50,000	50,000	54,526	4,526
Licenses & permits:				
Building permits/business licenses	450	450	943	493
Animal licenses	900	900	600	(300)
Total licenses & permits	1,350	1,350	1,543	193
Intergovernmental revenues:				
Class C road funds	32,000	32,000	33,495	1,495
Liquor allotment	150	150	156	6
State/local grants	7,000	24,300	20,019	(4,281)
Total intergovernmental revenues	39,150	56,450	53,670	(2,780)
Charges for services:				
Parks & recreation	3,000	3,000	2,038	(962)
Service area	32,000	32,000	32,524	524
Total charges for services	35,000	35,000	34,562	(438)
Fines & forfeitures	4,000	4,700	6,246	1,546
Miscellaneous:				
Interest and other	500	20,000	21,540	1,540
Total Miscellaneous	500	20,000	21,540	1,540
Total Revenues	<u>\$ 130,000</u>	<u>\$ 167,500</u>	<u>\$ 172,087</u>	<u>\$ 4,587</u>

See accompanying notes and accountant's report.

**TOWN OF AMALGA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General government:				
Administration	\$ 17,000	\$ 33,000	\$ 31,689	\$ 1,311
Total general government	17,000	33,000	31,689	1,311
Planning & zoning				
Professional services/supplies	1,400	1,400	408	992
Total planning & zoning	1,400	1,400	408	992
Public safety:				
Police	5,000	3,500	3,512	(12)
Fire	3,000	3,500	3,058	442
Other	1,000	1,000	480	520
Total public safety	9,000	8,000	7,050	950
Highways & public improvements:				
Streets & highways	17,000	83,000	82,661	339
Total highways & public improvements	17,000	83,000	82,661	339
Sanitation & health:				
Sanitation	32,000	32,000	29,263	2,737
Health & welfare	4,500	1,500	965	535
Total sanitation & health	36,500	33,500	30,228	3,272
Parks & recreation:				
Parks and open spaces	17,650	14,650	10,758	3,892
Capital outlay	18,500	18,500	20,215	(1,715)
Total parks & recreation	36,150	33,150	30,973	2,177
Debt service	5,300	5,300	5,284	16
Transfers to other funds	-	-	-	-
TOTAL EXPENDITURES	122,350	197,350	188,293	9,057
Net change in fund balance	7,650	(29,850)	(16,206)	13,644
Fund Balance at beginning of year	200,114	200,114	200,114	-
Fund Balance at end of year	\$ 207,764	\$ 170,264	\$ 183,908	\$ 13,644

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
(with comparative amounts for June 30, 2005)

	<u>2006</u> <u>WATER</u> <u>UTILITIES</u>	<u>2005</u> <u>WATER</u> <u>UTILITIES</u>
ASSETS		
Current assets:		
Cash	\$ 139,547	\$ 96,400
Accounts receivable	29,949	69,621
Prepaid expenses	3,157	2,769
Restricted cash	<u>72,681</u>	<u>62,337</u>
Total current assets	<u>245,334</u>	<u>231,127</u>
Capital assets:		
Land	5,000	5,000
Improvements other than buildings	1,945,248	1,945,248
Construction in progress	-	-
Less Accumulated depreciation	<u>(450,525)</u>	<u>(406,795)</u>
Total capital assets	<u>1,499,723</u>	<u>1,543,453</u>
TOTAL ASSETS	<u><u>1,745,057</u></u>	<u><u>1,774,580</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,633	15
Interest payable	<u>649</u>	<u>693</u>
Total current liabilities	<u>3,282</u>	<u>708</u>
Long-term liabilities:		
Bonds payable - due within a year	44,374	43,259
Bonds - due in more than one year	<u>886,936</u>	<u>931,323</u>
Total long -term liabilities	<u>931,310</u>	<u>974,582</u>
Total liabilities	<u>934,592</u>	<u>975,290</u>
NET ASSETS		
Invested in capital assets, net of related debt:		
Restricted	568,413	568,871
Unrestricted	<u>72,681</u>	<u>62,337</u>
Total net assets	<u>169,371</u>	<u>168,082</u>
	<u><u>\$ 810,465</u></u>	<u><u>\$ 799,290</u></u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
(with comparative amounts for June 30, 2005)

	2006 WATER UTILITIES	2005 WATER UTILITIES
OPERATING REVENUES:		
Charges for services	\$ 91,403	\$ 95,420
Other operating revenues	-	-
Total operating revenues	<u>91,403</u>	<u>95,420</u>
OPERATING EXPENSES		
Salary and wages	2,728	2,864
Other operating expenses	13,553	12,901
Supplies	19,722	13,522
Depreciation	<u>43,730</u>	<u>43,208</u>
Total operating expenses	<u>79,733</u>	<u>72,495</u>
Operating income	<u>11,670</u>	<u>22,925</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	849	473
Interest charges	<u>(1,344)</u>	<u>(1,451)</u>
Total non-operating revenue (expense)	<u>(495)</u>	<u>(978)</u>
Change in net assets	11,175	21,947
Total net assets - beginning	<u>799,290</u>	<u>777,343</u>
Total net assets -ending	<u><u>\$ 810,465</u></u>	<u><u>\$ 799,290</u></u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006
(with comparative amounts for June 30, 2005)

	2006 WATER UTILITIES	2005 WATER UTILITIES
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 131,075	\$ 93,147
Payments to suppliers	(31,089)	(29,160)
Payments to employees	(2,728)	(2,864)
Net cash provided (used) by operating activities	<u>97,258</u>	<u>61,123</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on capital debt	(43,272)	(28,140)
Interest paid on capital debt	(1,344)	(1,451)
Purchase of system improvements	<u>-</u>	<u>(31,373)</u>
Net cash provided (used) by capital and related financing activities	<u>(44,616)</u>	<u>(60,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>849</u>	<u>473</u>
Net decrease in cash and cash equivalents	53,491	632
Cash and equivalents at beginning of year	<u>158,737</u>	<u>158,105</u>
Cash and equivalents at end of year	<u><u>\$ 212,228</u></u>	<u><u>\$ 158,737</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 11,670</u>	<u>\$ 22,925</u>
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	43,730	43,208
Changes in assets & liabilities:		
Decrease (increase) in receivables	39,672	(2,273)
Decrease (increase) in prepaid expenses	(388)	(181)
Increase (decrease) in accruals	<u>2,574</u>	<u>(2,556)</u>
Total adjustments	<u>85,588</u>	<u>38,198</u>
Net cash provided (used) by operating activities:	<u><u>\$ 97,258</u></u>	<u><u>\$ 61,123</u></u>

See accompanying notes and accountant's report.

TOWN OF AMALGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund accounts for resources set aside to build specified capital projects.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of

three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water system improvements	50 years
Buildings and improvements	10-40 years
Machinery and equipment	5-10 years
Roads and infrastructure	40 years

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items and bonds:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. Bonds are reported as other financing sources when issued and expenses when paid. However, the statement of net assets includes those capital assets and bonds among the assets and liabilities of the Town as a whole.

Cost of capital assets	\$ 693,454
Accumulated depreciation	(362,180)
Bonds payable	<u>(22,706)</u>
Total difference	<u>\$ 308,568</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. Bond principal is reported in the governmental funds as an expense while the government-wide statements reduce the bond liability.

While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 94,799
Depreciation expense	(19,325)
Bond principal	<u>3,951</u>
Net difference as reported	<u>\$ 79,425</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash and investments

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$111,541 of the local government's bank balances of \$211,541 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$418,783 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts receivable/taxes receivable

Amounts due to the Town at year end are as follows:

General:

Garbage and 911 fees	\$ 6,908
Other	654
County - property taxes	16,421
Sales tax	2,761
Class C	<u>7,055</u>

Total general 33,799

Water:

Services	<u>29,949</u>
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Total accounts/taxes receivable \$ 63,748

Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash, cash equivalents, investments and receivables:

General fund:

Cash - Class C	\$ 130,656
Accounts receivable - Class C	<u>7,055</u>

Total general fund 137,711

Capital projects fund:

Cash	<u>198,277</u>
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Water fund:

Cash trustee	20,431
Cash revenue bond sinking/reserve	<u>52,250</u>

Total water fund 72,681

Total restricted assets \$ 408,669

Note 6: Accounts payable

Accounts payable consist of amounts incurred and due at June 30, 2006 but which have not been paid as follows:

General:

Accounts	\$ 55,565
Payroll and payroll taxes	<u>291</u>

Total general	<u>55,856</u>
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Water:

Accounts	2,633
Interest	<u>649</u>

Total water	<u>3,282</u>
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Total accounts payable	<u>\$ 59,138</u>
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Note 7: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2006 are as follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Land	\$ 51,126	\$ —	\$ —	\$ 51,126
Buildings and improvements	165,710	18,271	—	183,981
Equipment	60,643	1,945	—	62,588
Infrastructure	<u>321,176</u>	<u>74,583</u>	<u>—</u>	<u>395,759</u>
Total assets	<u>598,655</u>	<u>94,799</u>	<u>—</u>	<u>693,454</u>
Accumulated depreciation	<u>(342,855)</u>	<u>(19,325)</u>	<u>—</u>	<u>(362,180)</u>
Total fixed assets	<u>\$ 255,800</u>	<u>\$ 75,474</u>	<u>\$ —</u>	<u>\$ 331,274</u>

Depreciation has been charged to the departments as follows:

General government	\$ 1,823
Highways & public improvements	8,029
Parks, recreation & public property	<u>9,473</u>
	<u>\$ 19,325</u>

Note 8: Water users and rates

Amalga water utility fund services both residential and commercial users. As of June 30, 2006, the Town provided service to the following residential users and commercial users.

Residential	154
Commercial/industrial	<u>4</u>
Total water users	<u>158</u>

Water and garbage rates effective at June 30, 2006 are as follows:

Water rates:

Standard monthly services	\$10.00
Excess over 20,000 gallons	\$.45 per 1,000 gallons
Industrial rate	\$.50 per 1,000 gallons (no base)

Garbage rates:

Standard monthly services	\$12.25	90 gallon container
Standard monthly services	\$ 7.15	60 gallon container
Commercial monthly services-	monthly rates varies depending on size of container	

Note 9: Changes in long-term debt

The following is a summary of long-term debt transactions of the Town's general and proprietary fund types for the year ended June 30, 2006:

Bonds payable at July 1, 2005	\$1,001,239
Less: payment of principal	<u>(47,223)</u>
Bonds payable at June 30, 2006	<u>\$ 954,016</u>
Due within one year	<u>\$ 48,522</u>

Bonds payable at June 30, 2006, are comprised of the following individual issues:

Water:

Water revenue bonds due to the FHA in semi annual payments of \$1,830 including interest at 5% per annum. The principal and interest will be completely retired in 2015.	\$ 26,310
\$1,090,000 water revenue bonds due to the Utah Division of Water Resources in varying annual payments including interest at 0% per annum. The principal and interest will be completely retired on January 1, 2024.	<u>905,000</u>
Total water fund bonds payable	<u>\$ 931,310</u>

General:

General obligation bonds due to FHA in annual installments of \$5,284 including interest at 5%. The principal and interest will be completely retired on December 1, 2010.

\$ 22,706

Total bonds payable

\$ 954,016

The following is a summary of bond principal maturities and interest requirements:

<u>Year ending June 30</u>	<u>Total outstanding</u>
2007	\$ 50,944
2008	52,434
2009	52,944
2010	53,944
2011	54,731
2012 - 2016	259,665
2017 - 2021	263,000
2022 - 2025	<u>177,000</u>
Total	964,662
Less Interest	<u>(10,646)</u>
Outstanding Principal	<u>\$ 954,016</u>

Note 10: Reserved fund equity

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - roads \$ 137,711

Water fund (retained earnings):

Reserved - sinking/reserve and trustee \$ 72,681

Capital projects fund:

Reserved - capital projects \$ 198,277

Note 11: Insurance and bond coverage

The Town is exposed to various risk of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries insurance through the Utah Local Government Insurance Trust. Workers compensation is carried by the Workers Compensation Fund of Utah. A fidelity bond is provided to the town treasurer through a private carrier. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12: Segment information

The following information is presented for the water utility fund of Amalga Town:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Water fund:</u>				
Fixed Assets	\$ 1,950,248	\$	\$	\$ 1,950,248
Accumulated Depreciation	406,795	43,730		450,525

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current Assets:	
Cash	\$ 139,547
Receivables	29,949
Less Current Liabilities:	
Accounts payable	(3,282)
Current portion of long-term debt	<u>(44,374)</u>
Net Working Capital	<u>\$ 121,840</u>

SUPPLEMENTAL SECTION

**TOWN OF AMALGA
SUPPLEMENTAL SCHEDULE
SCHEDULE OF IMPACT FEES**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Balance:			
Impact Fees - Water	\$ -	\$ -	\$ -
Additions:			
Impact Fees - Water	12,411	4,137	4,137
Interest:			
Impact Fees - Water	-	-	-
Deletions:			
Impact Fees - Water	<u>(12,411)</u>	<u>(4,137)</u>	<u>(4,137)</u>
Ending Balance:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accountant's report



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

December 11, 2006

Honorable Mayor and Town Council
Town of Amalga
Amalga, Utah

Dear Mayor Wood:

In planning and performing our review of the financial statements of Amalga, Utah (the Town) for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our review of the Town's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDING

No findings noted in the prior year.

CURRENT YEAR FINDING

No findings noted in the current year.

In conclusion, we wish to recognize all town personnel and administrators for their excellent service provided to the Town of Amalga. We would especially like to recognize Morris Hansen, who has been most cooperative in assisting us in accomplishing the engagement for the 2005-2006 fiscal year. The performance of the Town of Amalga annual report has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

Alan D. Allred, CPA